

Message Text

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S/S: RKUCHEL

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 000010 TOSEC 250115

NODIS

E.O. 11652: GDS

TAGS: OVIP (KISSINGER, HENRY A)

SUBJECT: THE SETTING FOR A TRIP

FOR THE SECRETARY FROM ASSISTANT SECRETARY ROGERS

1. I VENTURE A PRELIMINARY COMMENT ON YOUR POSSIBLE FEBRUARY VISIT TO LATIN AMERICA. AS YOUR PLANS HARDEN, WE WILL BE PREPARING THE MORE TRADITIONAL BRIEFING PAPERS. BUT I THOUGHT IT MIGHT BE USEFUL TO MENTION NOW SOME UNPLEASANT ASPECTS OF OUR RELATIONS WITH THE COUNTRIES YOU WILL VISIT. THESE ARE THE ISSUES WHICH WILL COLOR YOUR VISIT.

2. OUR BILATERAL RELATIONS ARE GENERALLY QUITE GOOD WITH VENEZUELA, BRAZIL AND CENTRAL AMERICA. BETTER, PERHAPS, THAN THEY HAVE BEEN FOR SOME TIME PAST. BUT THIS SHOULD NOT OBSCURE THE FACT THAT WE HAVE AND WILL CONTINUE TO HAVE SOME REAL PROBLEMS. THE PROBLEMS ARE ECONOMIC PROBLEMS. MORE IMPORTANTLY, AS I HOPE WILL EMERGE, THE ECONOMIC PROBLEMS I REFER TO ARE RELATIVELY INTRACTABLE.

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THEY HAVE A LIFE OF THEIR OWN. THERE IS PRECIOUS LITTLE

WE CAN DO, EVEN WITH THE BEST OF WILL, TO SHAPE THEM,
MODERATE THEIR IMPACT ON OUR DIPLOMACY OR PROVIDE
MAJOR OFFSETTING COMPENSATION BY WAY OF AID.

3. THE MAJOR CONCERN IN THE MINDS OF THE PRESIDENTS AND
FOREIGN MINISTERS YOU WILL BE SEEING WILL BE U.S. POWER,
AND ITS RELATION TO THE HEMISPHERE, IN THE LIGHT OF
ANGOLA, VIETNAM, WATERGATE AND PANAMA. THESE ARE BOTH
MORE MALLEABLE AND MORE TRADITIONALLY POLITICAL ISSUES,
AND I WILL HAVE MORE TO SAY ABOUT THEM LATER. BUT I
SUGGEST THAT THE TRIP WILL ILLUMINATE, EVEN THOUGH IT
MAY NOT FOCUS ON, WHAT IS PERHAPS A GENERAL CHARACTERISTIC
OF THE CONTEMPORARY U.S. FOREIGN RELATIONS PROCESS -- THAT
IMPORTANT ECONOMIC ASPECTS OF OUR RELATIONS WITH OTHER
COUNTRIES ARE LOCKED AWAY BEYOND THE REACH OF THE
MANAGERS OF FOREIGN POLICY BY CONGRESSIONAL AND OTHER
CONSTRAINTS WHICH DID NOT EXIST IN AN EARLIER DAY.

4. SPECIFICS, AS ALWAYS, WILL MAKE MY POINT BETTER.

5. BEGIN WITH BRAZIL. MANY OF ITS LEADERS ARE
PERSUADED THAT U.S. POLICY AIMS AT PRESERVING AN EXISTING
WORLD POWER STRUCTURE AT THE EXPENSE OF EMERGING POWERS
SUCH AS BRAZIL. EVERYTHING WE DO IS READ AGAINST THAT
BACK-DROP. CONSEQUENTLY ROUTINELY INTRACTABLE ISSUES TAKE
ON GEOPOLITICAL DIMENSION AND SPECIAL MEANING IN THEIR
EYES.

6. AT THE MOMENT, TRADE ISSUES ARE AT THE FOREFRONT OF
OUR RELATIONSHIP. IT IS TRUE THAT U.S. ATTEMPTS TO
INFLUENCE THE BRAZIL-FRG NUCLEAR ARRANGEMENT HAS LEFT SOME
RESIDUE OF DIFFICULTY. THE BRAZILIANS ARE ALSO CONCERNED
ABOUT THE DELAY IN RENEWING TALKS ON EXPANDED U.S.-
BRAZILIAN NUCLEAR COOPERATION, AND MAY RESPOND NEGATIVELY
TO OUR INSISTENCE ON SAFEGUARDS WHEN THE TALKS FINALLY
GET UNDERWAY. BUT THE BIG ISSUES ARE THE TRADE ISSUES.

7. AND THE HEART OF THOSE ISSUES IS THIS: WE EXPORT
ALMOST TWICE TO BRAZIL WHAT BRAZIL SELLS TO U.S. FOR
BRAZIL, TRADE EXPANSION IS VITAL.
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8. WE HAVE APPLIED COUNTERVAILING DUTIES TO BRAZILIAN
FOOTWEAR AND WILL DO SO TO HANDBAGS AND POSSIBLE CASTOR
OIL. THE COUNTERVAILING DUTIES HAVE BEEN FAIRLY MODEST.
BUT THEY COULD BE INCREASED IN THE COMING MONTHS. THE
INTERNATIONAL TRADE COMMISSION IS EXPECTED TO FIND
INJURY TO THE U.S. SHOE INDUSTRY IN THE PENDING ESCAPE
CLAUSE ACTION. THIS COULD RESULT IN QUOTAS ON BRAZIL'S

EXPORTS OF LEATHER FOOTWEAR TO THE U.S. OTHER CLASHES OVER BRAZIL'S EXPORT SUBSIDIES ARE VIRTUALLY INEVITABLE AS LONG AS BRAZIL PILES UP ITS HORRENDOUS BALANCE OF PAYMENTS DEFICIT AND THE U.S. CONTINUES ITS TOUGH AND INFLEXIBLE LEGISLATIVE PROGRAM FOR THE PROTECTION OF OUR OWN PERCEIVED TRADE INTERESTS.

9. WITH VENEZUELA, TOO, THE MAJOR ISSUE IS ECONOMIC, BUT OF A SLIGHTLY DIFFERENT SORT. THE BIG QUESTION IN VENEZUELA IS THE PETROLEUM NATIONALIZATION PROCESS. THE VENEZUELAN WILL BE DESPERATELY ANXIOUS THAT THE PROGRAM WORK WELL IN THE FIRST YEAR OF VENEZUELAN CONTROL. PROBLEMS ARE INEVITABLE. THERE MAY BE A STRONG TEMPTATION TO BLAME THE COMPANIES, OR THE U.S., OR THE TWO TOGETHER.

10. BY FEBRUARY, THE MOST SERIOUS VENEZUELAN CONCERN WILL BE THE OIL PRICE. SOME VENEZUELAN -- PEREZ GUERRERO PARTICULARLY, AND PERHAPS THE PRESIDENT AS WELL -- HAVE A DEEP SUSPICION THAT THE U.S. OIL COMPANIES AND THE USG ARE PREPARED TO COLLUDE TO REDUCE VENEZUELA'S "JUST PRICE" RETURN FROM VENEZUELA'S OIL. THEIR NERVOUSNESS ON THIS POINT IS A REFLECTION OF THEIR REALISTIC, THOUGH TARDY, APPRECIATION OF THE FACT THAT VENEZUELA'S DEVELOPMENT AND ITS HOPES TO BECOME A SOURCE OF AID FOR ITS NEIGHBORS ARE VIABLE ONLY THROUGH HIGH OIL PRICES AND REASONABLY HIGH OFFTAKE.

11. IT IS NOW LIKELY AS A RESULT OF THE PRICE-OFFTAKE CRUNCH OF THE PAST WEEK, THAT VENEZUELA WILL NOT HAVE BOTH, AT LEAST NOT FOR THE FIRST QUARTER OF 1976 -- THE VERY TIME YOU COULD BE THERE. I AM OPTIMISTIC THAT THIS WILL NOT SOUR THEIR RECEPTION OF YOU. (THE VENEZUELAN PRESIDENT WAS EXTRAORDINARILY CONCILIATORY TOWARD YOUR CONFIDENTIAL

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PARIS SPEECH IN HIS PRESS CONFERENCE OF DECEMBER 29.) BUT I COULD BE WRONG; OFFICIAL RELATIONS COULD TAKE A SUDDEN TURN FOR THE WORSE IF THERE IS A HITCH IN THE NATIONALIZATION PROCESS IN THE NEXT FEW DAYS WHICH THE GOV MAY DECIDE TO BLAME ON US. AND IN ALL EVENTS, THERE WILL BE A CLOUD OF SELF-DOUBT IN CARACAS IN FEBRUARY ABOUT VENEZUELA'S CAPACITY TO MANAGE THE BEAST THEY HAVE DECIDED TO RIDE, AND APPREHENSION THAT WE WILL CONSPIRE WITH THE OIL COMPANIES TO SEE THAT THEY HAVE NO EASY TIME OF IT.

12. IN ADDITION, THERE IS THE U.S.-VENEZUELAN ECONOMIC PROBLEM OF GSP. THE VENEZUELAN HAVE LOST NO OPPORTUNITY TO TELL US THAT THEY CONTINUE TO FEEL UNJUSTLY DISCRIMINATED AGAINST BY THEIR EXCLUSION FROM GSP BY

VIRTUE OF THEIR OPEC MEMBERSHIP. THEY THINK THIS IS NO WAY TO TREAT A FRIEND WHICH CONTINUED TO SUPPLY THE U.S. DURING THE ARAB OIL EMBARGO. ON THIS, OF COURSE, THEY HAVE THE SUPPORT OF THEIR FELLOW LATIN AMERICANS.

13. COSTA RICA IS ANOTHER EXAMPLE OF AN ECONOMIC PROBLEM BEYOND EASY REPAIR BY POWERFUL AND FRIENDLY SECRETARIES OF STATE. FOREIGN MINISTER FACIO DESCRIBED THE NEED TO INCREASE THE LEVEL OF 1975 MEAT EXPORTS TO THE U.S. AS "ABSOLUTELY THE MOST SERIOUS PROBLEM THAT HAS FACED COSTA RICA FOR SOME TIME. WE HAVE BEEN UNABLE, BY VIRTUE OF THE RIGID CHARACTER OF OUR GOVERNING AGRICULTURAL LEGISLATION, THE REGULATIONS AND THE BYZANTINE VOLUNTARY RESTRAINT AGREEMENTS WE HAVE NEGOTIATED PURSUANT TO THIS LEGAL SYSTEM, TO COMPLY WITH COSTA RICA'S PLEA FOR AN INCREASE IN ITS MEAT EXPORT LEVEL FOR 1975.

14. IN 1976, COSTA RICA WILL HAVE AN ESTIMATED EXPORT CAPACITY OF 10 TO 15 MILLION POUNDS OVER THE VOLUNTARY RESTRAINT LEVEL. IT IS LIKELY TO ASK THAT WE DEVISE A NEW FORMULA WHICH WILL PERMIT COSTA RICA TO SHIP AT A HIGHER LEVEL. CHANCES OF OUR DOING THIS ARE VERY DIM, BY VIRTUE OF THE STATUTORY MULTILATERAL NEGOTIATING MACHINERY WE OPERATE WITHIN THIS FIELD.

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15. A HOST OF OTHER ISSUES TOUCH OUR RELATIONS WITH BRAZIL, VENEZUELA AND THE COUNTRIES OF CENTRAL AMERICA, OF COURSE. IN CENTRAL AMERICA, FOR EXAMPLE, THERE ARE A BRACE OF LONG-STANDING LOCAL POLITICAL DISPUTES -- BELIZE AND THE HONDURAS-SALVADOR CONFLICT -- IN WHICH SOME OR ALL OF THE PARTIES ARE PLEADING FOR OUR INTERVENTION AND YOUR MAGIC TOUCH. THESE OTHER ISSUES WE WILL ADDRESS IN THE REGULAR BRIEFING PAPERS.

16. IT IS THE ECONOMIC PROBLEMS THAT I FEAR. FOR IT IS THOSE PROBLEMS WHICH COULD SOUR A VISIT. I DO NOT THINK THEY WILL. I THINK YOU SHOULD MAKE THE TRIP. I KNOW IT WILL CONTRIBUTE GREATLY TO OUR RELATIONS WITH THE COUNTRIES YOU VISIT AND CONSTITUTE THE BEST EARNEST IN RECENT YEARS OF OUR SERIOUS AND RESPECTFUL ATTITUDE TOWARD LATIN AMERICA. BUT YOU SHOULD BE AWARE, AS YOU THINK OUT THE TRIP PLANS, OF THESE RELATIVELY LESS TRACTABLE ECONOMIC ISSUES. ROBINSON

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